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ABSTRACT

This report which describes state systems for financing special education programs for school-age children with disabilities, is based on a is based on a national survey of state directors of special education during the 1992-93 school year. Emphasis is on determining state funding formulas, recognizing that many states are currently in various stages of reassessing, redesigning, or implementing significant changes in their funding systems for special education. The report includes two major components. The first component provides an overview of state school finance systems in general and considers the relationship between general and special education funding programs. It is geared to policymakers (and others) who are not experts in school finance concepts and practices. This section includes information on basic support funding (e.g., foundation programs, percentage equalization, guaranteed tax base/yield programs, flat grants, and full state funding) and information on categorical aid, including approaches to special education funding and criteria for evaluating the various special education funding models. The second component provides an abstract of each state's special education funding mechanism for the 1992-93 school year. A list of state administrators who can be contacted for additional information is appended. (Contains 13 references.) (DB)

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CSEF

Center for Special Education Finance

State Special Education Finance Systems, 1992–93

December 1993

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The views expressed are those of the author and editors and do not necessarily represent the views of the U.S. Department of Education.

About This Document

In 1989, the National Association of State Directors of Special Education (NASDSE) published a compilation of information on state special education funding systems (O'Reilly, 1989), that updated and expanded a 1982 NASDSE directory of state special education funding formulas (Project FORUM, 1982). This document, published by the Center for Special Education Finance (CSEF), represents the third in the series on *State Special Education Finance Systems*. It updates the 1989 NASDSE publication by describing state systems for financing special education programs for school age children with disabilities during the 1992-93 school year. Information was collected by CSEF through a national survey of state directors of special education. All but one state (Mississippi) responded to the survey.

The document is descriptive in nature and focuses on the mechanisms used by states to distribute funds to local school districts for the provision of special education and related services to students with disabilities. It is *not* a report of the costs of special education, and it does not describe how state and local education agencies use special education funding. It is also not intended to be prescriptive or to make recommendations among the various types of funding systems. It is rather intended to be a useful reference on special education finance systems across the states.

The report is comprised of two major components. The first provides an overview of state school finance systems in general, and the relationship between general and special education funding programs. It is designed to be valuable to a wide audience, but is geared to policymakers who are not experts in school finance concepts and practices. However, a detailed accounting of all aspects of school finance, such as sources of state and local school revenue, is not provided.[1] The second component of this document provides an abstract of each state's

[1]Readers desiring additional information on general school finance issues are referred to the American Education Finance Association's document, *Public School Finance Programs of the United States and Canada, 1990-91*, available from the Center for the Study of the States, The Nelson A. Rockefeller Institute of Government, State University of New York, Albany, NY. Readers desiring more specific information on special education finance issues should contact the Center for Special Education Finance at the American Institutes for Research, Palo Alto, CA.

special education funding mechanism for the 1992-93 school year. A list of state administrators who can be contacted for additional information about their state's funding approach is located in the Appendix.

Since publication of the 1989 NASDSE document on state special education funding systems, states across the nation have been in various stages of reassessing, redesigning, or implementing significant changes in their funding systems for special education. Many of these changes signal a philosophical shift away from identification and labeling of students with disabilities to formulas that are more neutral with respect to program and placement.

The primary purposes of this reference document are to capture state funding formulas at the point in time of our 1992-93 survey, and to reflect the related literature of the last few years. At the same time, CSEF recognizes that the flurry of state reform activity currently underway makes it difficult to characterize the nature of state funding systems accurately. In fact, doing so today is like capturing a moving target. Because of these changes, CSEF is currently engaged in research, including indepth interviews with state special education administrators, to identify and further understand the nature of reforms, underway. The results of this research will be reflected in upcoming CSEF publications, including the second issue of our newsletter, *The CSEF Resource*, and a soon-to-be-issued report entitled *Special Education Finance Reform in the States*.

I. State School Finance Systems

Introduction

Fiscal support for public education is a shared responsibility. In all states (except Hawaii and the District of Columbia), federal, state and local revenues are combined for the provision of elementary and secondary education programs. Although there is considerable variation from state to state, over the last decade the share of elementary and secondary education funded by local governments has generally increased, with concomitant decreases in the federal and state shares. For the 1982-83 school year, the percentage contribution of local governments was 45.1%, the federal government provided 7.2%, and the states furnished 47.7% of the funds supporting all elementary and secondary education programs. By 1992-93, the local contribution had risen to 46.4%, the federal share had fallen to 6.7%, and the state share had decreased to 46.8% (NEA, 1993). The increase in local governments' share of education funding began in 1987-88, after a period in which the states had provided an increasingly larger proportion of education funds. The revenues provided by states for education fall into two major categories: *basic support aid* and *categorical aid*.

Basic support aid, the principal component of a state's education finance system, typically comprises the majority of state education aid. A primary use of basic support aid is to compensate for differing abilities among local districts to support education. State funds are distributed in inverse proportion to a district's ability to finance education (typically determined based on the district's taxable property base or property valuation.) Thus, less wealthy districts receive more state aid than property "rich" districts. The resulting combination of state and local revenues enables poor districts to spend at the same rate per pupil as the most wealthy districts in a state.

Basic support aid can also be used to equalize disparities among districts as a result of educational need. Educational need can be determined based on the characteristics of pupils within a district or can reflect varying costs of education programs due to a variety of factors, such as differences in the cost of living throughout the state, adjustments for population sparsity or for enrollment growth. A state aid program designed to equalize disparities due to wealth may not necessarily neutralize disparities in educational need.

Categorical aid is designed to addresses specific educational needs, such as special education, compensatory education, or vocational education. Categorical aid does not generally address local ability to pay, although some states do incorporate equalization factors into their categorical aid programs.

The following chapter focuses on approaches used by states for basic support aid. Chapter 2 addresses state categorical aid programs for special education.

1. Basic Support Funding

Two concepts form the foundation of basic support funding--educational need and ability to pay. Together, these two concepts determine a local district's fiscal capacity, which is generally expressed as a district's fiscal resources or tax base, divided by a measure of the district's educational need for those resources.

Educational need is determined by the number of students in the district as well as the costs associated with educating those students. Three methods are commonly used to measure the number of students in a district: Average Daily Attendance (ADA), Average Daily Membership (ADM), and Enrollment (ENR). Average Daily Attendance is determined by averaging a district's total daily attendance over a certain time period; Average Daily Membership is determined by averaging a district's total enrollment over a certain time period; and Enrollment is determined by measuring a district's total enrollment on a particular day. The definition selected to determine the number of students in a district can dramatically impact the amount of resources distributed to the district. For example, in urban areas, where student absenteeism tends to be high, districts using ADA would have smaller pupil counts and receive less aid then if they used ADM or ENR. States may also determine need by using teacher units or instructional units, instead of pupil units. This measure, however, is usually based on a district's ADA, ADM, or enrollment.

Adjustments, or weighting procedures, to account for differences in the cost of educating students with varying characteristics may also be included in a state's funding system. These adjustments are generally based on differences in grade levels or student characteristics, such as disabilities, and may be assigned relative to the cost of educating a "typical" pupil. A number of states address these types of educational need through the use of categorical aid programs, which are funded separately from basic aid programs. Another type of adjustment to educational need is based on the recognition that a variety of circumstances exist among districts that can affect the cost of a student's education. These local conditions might include district size, teacher experience, population sparsity, population density, or increasing enrollment.

Ability to pay for education, or a school district's fiscal capacity, is based on its available resources. In most states the local property tax is the only source of revenue available to local school districts. Thus, local property values (often equalized, or adjusted to account for differences in local assessment practices) are the primary measure of a district's ability to fund education. Some school districts can raise revenue through other sources such as local income tax, local sales tax, vehicle excise tax, and user fees. Many states include these other sources of local income into their calculations of each district's ability to finance education.

Approaches to Basic Support Aid

Mechanisms, or formulas, for the distribution of basic support aid vary from state to state, but include five general approaches: foundation programs, percentage equalization programs, guaranteed tax base/yield programs, flat grant programs, and full state funding (AEFA, 1992). Each of these mechanisms is designed to address the differing educational needs and/or fiscal capacities among local school districts. Each approach, except for full-state funding, is a shared-cost mechanism where contributions are made from both state and local sources. Table 1 shows the distribution of states across the five types of formulas. A description of each type of formula is provided in the following sections.

■ Foundation Programs

Under a foundation program, every school district is guaranteed a specific amount of aid (the foundation amount or minimum guarantee) for each child's education. The basic formula for a foundation program follows (AEFA, 1992):

$$A_i = N_iU - rW_i$$

Where:
- A_i = the dollar amount of the state's grant to the *i*th district
- N_i = the number of pupils in the *i*th district
- U = the foundation level
- r = the common tax rate selected by the state
- W_i = the total value of the *i*th district's tax base

Table 1
State Public School Finance Programs, 1990-91

Foundation Programs (38)		Percent Equalization Programs (6)	Guaranteed Tax Base/ Yield Programs (2)	Flat Grants (2)	Full State Funding (2)
Alabama	Montana[a]	Connecticut[c]	Michigan	Delaware[d]	Hawaii
Alaska	Nebraska	Kansas	Wisconsin	North Carolina	Washington
Arizona	Nevada	Massachusetts			
Arkansas	New Hampshire	New York			
California	New Jersey	Pennsylvania			
Colorado	New Mexico	Rhode Island			
Florida	North Dakota				
Georgia[a]	Ohio				
Idaho	Oklahoma				
Illinois	Oregon				
Indiana	South Carolina				
Iowa	South Dakota				
Kentucky	Tennessee				
Louisiana	Texas[a]				
Maine	Utah				
Maryland	Vermont				
Minnesota	Virginia				
Mississippi	West Virginia				
Missouri[b]	Wyoming				

[a] These states have two tiers of funding for the basic support program. The second tier basic support funding mechanism for these states consists of a guaranteed tax base/yield (GTB/GTY) program.

[b] Missouri incorporates a GTB add-on into the basic support formula.

[c] Although Connecticut considers the basic support program to be a foundation program, for purposes of this table it is considered to be a percentage equalizing program since an aid ratio is used in the calculation of basic support aid.

[d] Delaware has a separate equalization component in addition to the flat grant as part of the basic support program.

Source: Adapted from: *Public School Finance Programs of the United States and Canada, 1990-91*. (1992). Albany, NY: American Education Finance Association and Center for the Study of the States, The Nelson A. Rockefeller Institute of Government.

For example, if the state sets its foundation level (U) at $1,000 and the common tax rate at 1 percent, a district with 1,000 students and a property tax base of $50 million would receive $500,000 in state aid.

Because the foundation formula includes a measure of the district's wealth or fiscal capacity (W_i), state funds are allocated in inverse proportion to the district's ability to pay. However, districts are not always required to tax at the rate selected by the state (r). Foundation programs

can include *local leeway*, which allows participating districts to tax themselves above the mandated tax rate, although no additional state aid is provided for this increase. The amount of revenues raised through local leeway allows a district to spend more than the foundation level. This places districts with a small per-pupil tax base at a disadvantage relative to school districts with larger tax bases. Further, in some states, the common local property tax rate is a mandatory minimum; a district must maintain the specified level of effort to participate in the program. In other states, the tax rate is used only to compute the portion of state aid, and the local districts may actually use whatever tax rate they desire. As indicated in Table 1, the foundation program was the approach used in the majority of states to fund basic support programs in 1990-91.

■ Percentage Equalization

Under a percentage equalization program, the state assures the support of a proportion of locally determined educational expenditures. Local districts set their own education expenditures and the state agrees to support a specific percentage of district expenditures based on their fiscal capacity, using an aid ratio, as follows (AEFA, 1992):

$$AR_i = 1 - (fW_i/W_s)$$

Where:
- AR_i = the aid ratio for the *i*th district
- f = a scaling coefficient (the local share)
- W_i = the measure of local fiscal capacity for the *i*th district
- W_s = an arbitrary measure of fiscal capacity set by the state for use in the formula

Thus, for example, if the aid ratio is equal to .4, the state would match 40% of the locally raised school revenue. States may or may not set a limit on the amount of expenditures that state aid will match. The amount of aid received by a district is determined as follows (AEFA, 1992):

$$A_i = AR_iE_iN_i$$

Where: A_i = the dollar value of the state's grant to the *i*th district;
AR_i = the aid ratio for the *i*th district;
E_i = the per-pupil expenditure for the *i*th district;
N_i = the number of pupils in the *i*th district.

For example, assume that the state decides that a local district with a property valuation of $50 million ($W_s$) should support 45 percent of its expenditures (that is, $f = .45$). Also assume that districts A and B have a property valuation of $50 million and $75 million, respectively, and that each has expenditures of $2,000 per pupil, and 1,000 students. District A would receive $1.1 million in state aid: [1-(.45)($50,000,000/$50,000,000)] ($2,000)(1,000)] while District B would receive only $650,000 in state aid: [1-(.45)($75,000,000)/($50,000,000)] ($2,000)(1,000)].

Thus, under a percentage equalization program, as a district's fiscal capacity decreases, the state share increases. The degree to which this type of formula equalizes expenditures is affected by both the level of state support and the level of local educational expenditures. Two districts of equal property wealth may not spend the same amount of money on education; the district with the highest expenditures may receive more state aid. Disparate expenditure levels could result in poorer districts receiving less state aid than wealthier districts. As noted in Table 1, six states used a percentage equalization program during the 1990-91 school year.

■ Guaranteed Tax Base/Yield Programs

Under both Guaranteed Tax Base (GTB) and Guaranteed Tax Yield (GTY) programs, the state guarantees each school district a minimum amount of revenue per pupil for a given level of local tax effort. Under a *Guaranteed Tax Base* program, the state guarantees all districts a certain per-pupil tax base, and local school districts choose their own tax rate for education. The state pays the difference between what would be raised with the guaranteed tax base and what can actually be raised from the local tax base, as follows (AEFA, 1992):

$$A_i = (V_s - V_i)r_i$$

Where: A_i = the dollar value of the state's grant to the *i*th district

V_s = the guaranteed per-pupil tax base

V_i = the per-pupil tax base of the *i*th district

r_i = the tax rate of the *i*th district

For example, assume that the state guarantees a tax base of $100,000 per pupil, and that District A, with a property tax base of $50,000 and District B with a $75,000 per pupil tax base each levy a local tax rate of 10 mills, or 1 percent. While both districts would be guaranteed revenues of $1,000 per pupil ($100,000 x .01), the state and local share of the revenues for these two districts would differ. District A would be required to contribute $500 per pupil in local revenues and would receive $500 in state aid [($100,000 - $50,000)(.01)], while District B would be required to make a local contribution of $750 and would receive only $250 in state aid ([$100,000 - $75,000)(.01)].

Under a Guaranteed Tax Base program, the larger the difference between actual and guaranteed per-pupil tax bases, the larger the amount of state aid. In districts with tax bases above the state guaranteed tax base, no state aid is received.

With a *Guaranteed Tax Yield* program, the state guarantees that all districts will receive an equal yield for an equal effort. Each district chooses a tax rate that has an associated level of educational expenditures, such as:

Tax Effort	Guaranteed Revenue Per-pupil
1.0%	$2,000
2.0%	$3,000
3.0%	$4,000

If a district's local tax base does not generate the guaranteed revenue at a given level of effort, the state makes up the difference, as follows:

$$A_i = R_s - r_s V_i$$

Where: A_i = the dollar value of the state's grant to the *i*th district
R_s = the state guaranteed revenue per pupil
r_s = the scheduled tax rate
V_i = the per-pupil tax base of the *i*th district

For example, according to the above schedule, if District A with property valuation of $50,000 per pupil and District B with a $75,000 per pupil property value both select a tax effort of 2%, both districts would be guaranteed an expenditure level of $3,000 per pupil. However, District A would receive $2,000 per pupil in state aid [$3,000 - ($50,000)(.02)], while District B would receive only $1,500 per pupil [$3,000 - ($75,000)(.02)].

With this approach, states typically cap the amount of aid provided by imposing an upper limit on the number of mills eligible for aid. As indicated in Table 1, during the 1990-91 school year, two states used a guaranteed tax base/yield program for basic support aid.

■ Flat Grants

A flat grant program does not compensate for differences in local districts' abilities to pay for education; instead it assures that each district receives a minimum level of per-pupil expenditure. Under a flat grant program, a fixed amount of state aid is distributed on a per-unit basis (e.g., per pupil, per teacher). A district's state grant under a flat grant program can be determined as follows (AEFA, 1992):

$$A_i = FN_i$$

Where: A_i = the dollar value of the state's grant to the *i*th district
F = the flat grant level
N_i = the number of pupils in the *i*th district

Flat grant programs may adjust funding for differing educational needs by weighting the pupil count. During the 1990-91 school year, two states used a flat grant program as their primary basic support mechanism.

■ Full State Funding

Under a full state funding program, the state provides 100 percent of educational expenditures, and local districts contribute nothing. Only Hawaii, with its single state-administered school district, has been classified as having a full state funded education finance system. The State of Washington, under a court order, fully funds a basic elementary and secondary education program, but local districts levy taxes to fund non-basic programs. The District of Columbia Public Schools, which is considered to be a single state/local education agency (SEA/LEA), also operates a system which is fully funded by the SEA.

In some states, such as Florida, the program used to distribute basic support aid is used to fund all educational programs. In many states, however, these programs are used to distribute aid only for general education programs. A second component of state school finance programs, categorical aid, has been developed for distribution of resources to support programs designed to address specific educational needs. Categorical aid programs that support special education services are discussed in the following chapter.

2. Categorical Aid

Funds distributed through categorical aid formulas are targeted on and limited to specific educational programs such as special education, vocational education, transportation, compensatory education, and bilingual education. Categorical funds can be provided either in addition to or instead of resources distributed through the basic support program. As with basic support, categorical funds can be distributed in a way that equalizes fiscal capacity as well as educational needs. This could be accomplished through a pupil weighting system in which students are assigned additional weights according to their educational needs, and the weighted pupil counts are incorporated into the basic support formula. More state aid would be provided to districts that have a large pupil count; poor districts would receive more aid for the additional pupils than wealthy districts.

Most states distribute special education funds through targeted categorical aid, although in many states, special education funds are disbursed through the same formula that is used to distribute basic support resources. Categorical funds can be distributed through any number of mechanisms, and each type of aid can have a different distribution formula. For example, special education aid might be distributed as a reimbursement for specific expenditures, while transportation funds could be distributed based on a flat grant where an additional allocation would be provided for every student needing transportation. The formula used in each state to distribute these resources is virtually unique, having been developed to meet each state's policy goals and priorities. The following section discusses the types of formulas that have been developed to distribute state categorical aid for special education programs. An abstract of each state's special education funding system is provided in Part II.

Approaches to Special Education Funding

All states distribute fiscal resources for the provision of special education services in local education agencies. Of the estimated $19.2 billion expended during 1987-88 (the latest available data) on services for children with disabilities, state governments provided about 56 percent of

the resources, while local governments paid 36 percent, and less than 8 percent came from federal sources (U.S. Department of Education, 1992). As shown in Table 2, however, these national numbers conceal enormous variability across states. During the 1987-88 school year, the federal share of special education expenditures was over 10 percent in 20 states (up from 16 states in 1986-87), while in 11 states, localities provided over half the financing for special education services. Still, most states remain as the primary financiers of special education.

The mechanisms states have developed to distribute resources for special education are complex and often involve complicated interagency structures. The major component of state special education finance systems is the formula used to distribute funds for students with disabilities who are served in local school district programs. Variations on this formula, or separate mechanisms, are often used to distribute funds for students served in out-of-district placements, such as state-operated facilities or private schools. Some states also have additional funding provisions to address specific situations such as residential care, special education transportation, catastrophic costs, and extended school year services. The focus of the following discussion is the formula used by states to distribute resources for the provision of special education and related services to school age students with disabilities who are served by local school districts. Describing other components of state special education funding programs, or issues such as the cost of various services was beyond the scope of this project. Nevertheless, while obtaining information on the funding of local district services, some additional data were obtained, such as the use of separate funding mechanisms for a variety of purposes, such as private school, pre-school, and extended school year services. Table 3 show which states have adopted such special purpose funding mechanisms.

Over the past 20 years, a number of studies have classified special education funding approaches into various frameworks that group formulas based on their common characteristics (Bernstein, Hartman, Kirst, and Marshall, 1976; Hartman, 1980; Moore, Walker, and Holland, 1982; O'Reilly, 1989; Thomas, 1973). Although some of the details differ, a pattern of six basic formula types has emerged:

1. *Unit* formulas provide a fixed amount of money for each qualified unit of instruction, administration, and/or transportation. Funding is disbursed for the cost of the resources needed to operate the unit, such as salaries for teachers and aides. The amount of funding provided may vary by type of unit.

Table 2
Percentage of Federal, State and Local Funds Expended for Special Education and Related Services, 1987-88

State	Federal	State	Local
Alabama	11.6	85.4	3.0
Alaska	4.8	70.0	25.2
Arizona	11.4	44.9	43.7
Arkansas	16.3	56.9	26.8
California	6.2	78.6	15.2
Colorado	7.7	40.2	52.1
Connecticut	4.7	38.9	56.4
Delaware	12.9	62.5	24.6
District of Columbia	10.3	89.7	0.0
Florida	5.8	61.9	32.3
Georgia	6.6	75.0	18.4
Hawaii	4.5	95.5	0.0
Idaho	10.2	89.8	0.0
Illinois	7.5	42.1	50.4
Indiana	15.0	52.6	32.6
Iowa	7.6	75.6	16.8
Kansas	6.9	51.2	42.0
Kentucky	11.3	65.3	23.4
Louisiana	6.9	69.8	23.3
Maine	13.9	49.7	36.4
Maryland	7.6	39.3	53.2
Massachusetts	6.9	36.5	56.6
Michigan	7.3	21.9	70.8
Minnesota	3.7	66.8	29.5
Mississippi	13.7	79.9	6.4
Missouri	9.6	90.4	0.0
Montana	10.1	71.5	18.3
Nebraska	11.1	78.9	10.0
Nevada	5.4	55.7	38.9
New Hampshire	5.4	17.4	77.2
New Jersey	10.7	78.5	10.9
New Mexico	8.4	90.6	1.0
New York	3.2	46.9	49.9
North Carolina	13.1	73.7	13.2
North Dakota	7.3	27.6	65.1
Ohio	4.9	56.7	38.5
Oklahoma	9.6	87.7	2.7
Oregon	8.7	17.1	74.2
Pennsylvania	11.0	59.5	29.5
Rhode Island	5.6	94.4	0.0
South Carolina	13.7	55.8	30.5
South Dakota	9.7	34.8	55.5
Tennessee	14.3	63.2	22.5
Texas	11.9	56.1	32.0
Utah	14.2	81.4	4.3
Vermont	9.2	41.3	49.5
Virginia	7.2	17.4	75.5
Washington	6.3	70.2	23.5
West Virginia	12.0	73.7	14.3
Wisconsin	6.1	59.2	34.7
Wyoming	4.5	79.1	16.5
U.S. Total	7.9	56.0	36.1

Source: U.S. Department of Education, Fourteenth Annual Report to Congress, 1992.

Table 3
Separate Special Purpose Funding Mechanisms

State	Private School (15)	SED Students (6)	Extended School Year (9)	Transportation (12)	Preschool (23)
Alabama	X	X		X	X
Alaska					
Arizona	X	X			
Arkansas			X		X
California	X		X	X	X
Colorado					
Connecticut					
Delaware	X		X	X	X
District of Columbia					
Florida				X	
Georgia	X	X		X	X
Hawaii					
Idaho	X	X		X	X
Illinois	X		X	X	
Indiana	X		X	X	X
Iowa					X
Kansas					
Kentucky					X
Louisiana			X		
Maine					X
Maryland					
Massachusetts	X				X
Michigan					X
Minnesota					
Mississippi	N/R	N/R	N/R	N/R	N/R
Missouri					X
Montana	X	X		X	
Nebraska				X	X
Nevada					
New Hampshire					
New Jersey					
New Mexico					
New York	X		X	X	X
North Carolina					X
North Dakota					

Table 3
Separate Special Purpose Funding Mechanisms (cont'd)

State	Private School (15)	SED Students (6)	Extended School Year (9)	Transportation (12)	Preschool (23)
Ohio	X			X	X
Oklahoma			X		
Oregon					X
Pennsylvania					X
Rhode Island					
South Carolina					X
South Dakota					
Tennessee					
Texas				X	
Utah					X
Vermont					X
Virginia	X				
Washington	X	X	X		
West Virginia					
Wisconsin	X				
Wyoming					X

Source: Center for Special Education Finance Survey data, 1993.

Regulations typically define pupil-teacher ratios or class size and caseload standards, either by disability or by type of placement (e.g., resource room). For example, the state may fund one staff unit for each five students with severe disabilities and one staff unit for each 45 students with a speech impairment.

2. *Personnel* formulas provide funding for all or a portion of the salaries of personnel working with children with disabilities. No other costs are reimbursed. As such, personnel formulas can be viewed as a special case of the unit formula, where funding is provided only for personnel costs. The percentage reimbursement may vary by personnel type. For example, the salaries of certified teachers may be reimbursed at a rate of 70% while salaries for aides may be reimbursed at a rate of only 30%. Pupil-teacher ratios are typical of this formula type and minimum state salary schedules are often included as well.

3. *Weighted* formulas provide funds for each child with disabilities as a multiple of the general education per pupil reimbursement. This formula is essentially a per pupil funding mechanism, with different amounts provided based on a pupil's disability and/or placement.

4. *Straight sum or flat grant* formulas provide a fixed amount of money for each eligible student with disabilities. The amount may or may not vary by disability of the students served. A cap on the percentage or number of students for whom reimbursement will be provided may be applied to control costs.

5. *Percentage-based* formulas provide to school districts a portion of approved costs of special education services. The percentage approach can be combined with other formula types, such as personnel, to provide districts with a percentage of special education teacher salaries. Reimbursable costs usually must be in approved categories and cost ceilings may apply.

6. *Excess cost* formulas are used to reimburse school districts for all or part of the costs of educating children with disabilities that are over and above the cost of the regular education program. Hartman (1990) has proposed a different definition of excess costs which is based on supplemental programs (those in addition to general education) and replacement services (those that replace general education).

Recently, Hartman (1992) has suggested a seventh formula type, the *resource-cost model*, which is based on estimating the program requirements for special education and summing the costs to

provide the needed resources. No states currently use a resource-cost approach to fund special education programs.

The research literature (e.g., Hartman, 1980) typically groups the six formula types according to the main factor used for allocating funds: *resources, students,* or *cost*. *Resource-based* formulas include unit and personnel mechanisms in which distribution of funds is based on payment for specified resources (e.g., teachers, aides, equipment). *Student-based* formulas include the weighted and straight sum formulas and are based on the number and type of children served. *Cost-based* formulas include the percentage and excess cost methods, both of which are based on district expenditures for special education services.

Moore, Walker and Holland (1982) further classified the types of funding mechanisms according to two dimensions: the main factor upon which the allocation is based and the mechanism used to allocate funds, as depicted in Table 4. As indicated in the figure, these two dimensions can be combined to form nine different types of funding formulas. Only six combinations are feasible: (1) flat grant per student; (2) flat grant per teacher or classroom unit; (3) percentage or excess cost; (4) percentage of teacher/personnel salaries; (5) weighted pupils; and (6) weighted teacher/classroom units.

Table 4
Types of Special Education Finance Formulas

BASIC ELEMENT	FUNDING MECHANISM		
	Flat Grant	**Percentage**	**Weight**
Students	Flat Grant/Student		Pupil Weighting
Resources	Flat Grant/ Classroom or Teacher Unit	Percentage of Personnel Salaries	Weighted Teacher or Classroom Units
Costs		Percentage Cost or Excess Cost	

Source: From Moore, M., Walker, L., Holland, R., *Finetuning Special Education Finance: A Guide for State Policymakers,* Princeton, NJ: Educational Testing Service, Education Policy Research Institute, July 1982.

Special Education Funding in the States

The formulas actually in use by states can be grouped according to any of the traditional classification schemes. Nevertheless, there is a great deal of overlap among categories, and within any single category formulas vary substantially from state to state. This variation reflects state efforts to be responsive to diverse state and district needs while also meeting state goals. For discussion and comparison purposes, it is useful to classify state funding programs according to some type of framework. In the previous document (O'Reilly, 1989), state special education funding formulas were classified according to the Moore, Walker and Holland framework described above. However, due to many changes in state finance systems, this framework no longer adequately distinguishes among the formulas actually being used by states. Table 5 shows the distribution of state formulas used during the 1992-93 school year according to four broad categories: flat grants, pupil weighting, resource-based, and cost-based formulas. Table 6 provides a further breakdown of the four categories in an attempt to reflect state special education policies and priorities. That is, for example, states that use a pupil weighting formula are further classified into three categories according to the type of weight included in the formula: student disability, student program/placement, or a fixed multiplier.

Tables 5 and 6 indicate that as in 1989, the most common approach to funding special education programs in 1992-93 was pupil weighting, followed closely by cost-based formulas. Flat grant and resource-based formulas had a similar small distribution of states. Since publication by NASDSE of the 1982 directory of state special education funding formulas, there have been numerous changes to the formulas used by states. Using the four broad categories, Table 7 indicates how state formulas have changed over the past decade. As seen in the table, there was much more activity between 1982 and 1989 when 11 states changed funding models than between 1989 and 1993 when six states made changes to their funding system. A majority of changes between 1982 and 1989 were among states that had been using a flat grant approach (7 of the 11 states). However, there was no real trend in the formula selected. Between 1989 and 1993, states continued to defect from the flat grant category, although one state (Pennsylvania) switched from a cost-based approach to a flat grant model. Three of the other five states moved to a cost-based system.

Table 5
Distribution of States Across Special Education Funding Models, 1992-93

Pupil Weighting (18)	Cost-Based (15)	Flat Grant (9)	Resource-Based (8)
Alaska	Colorado	Alabama	Idaho
Arizona	Connecticut	California	Minnesota
Arkansas	District of Columbia	Delaware	Ohio
Florida	Hawaii	Illinois	Tennessee
Georgia	Louisiana	Kansas	Virginia
Indiana	Maine	Missouri	Washington
Iowa	Maryland	Nevada	West Virginia
Kentucky	Michigan	North Carolina	Wisconsin
Massachusetts	Montana	Pennsylvania	
New Hampshire	Nebraska		
New Jersey	North Dakota		
New Mexico	Rhode Island		
New York	South Dakota		
Oklahoma	Vermont		
Oregon	Wyoming		
South Carolina			
Texas			
Utah			

Source: Center for Special Education Finance Survey data, 1993.

Table 6
State Special Education Finance Formulas, 1992-1993

STATE	FLAT GRANT		PUPIL WEIGHTING			RESOURCE-BASED		COST		
	Per Student (2)	Per Class or Teacher Unit (7)	By Disability (6)	By Program or Placement (10)	Single Multiplier (2)	Salary Percentage (4)	Classroom Unit (4)	Percentage Reimbursement (9)	Excess Cost (4)	Full State Funding (2)
Alabama		X								
Alaska				X						
Arizona				X						
Arkansas				X						
California		X								
Colorado								X		
Connecticut								X		
Delaware		X								
District of Columbia										X
Florida			X							
Georgia			X							
Hawaii										X
Idaho						X				
Illinois		X								
Indiana			X							
Iowa				X						
Kansas		X								
Kentucky			X							
Louisiana								X		
Maine								X		
Maryland									X	
Massachusetts					X					
Michigan									X	
Minnesota						X				
Mississippi[a]										

Table 6
State Special Education Finance Formulas, 1992-1993 (cont'd)

STATE	FLAT GRANT		PUPIL WEIGHTING			RESOURCE-BASED		COST		
	Per Student (2)	Per Class or Teacher Unit (7)	By Disability (6)	By Program or Placement (10)	Single Multiplier (2)	Salary Percentage (4)	Classroom Unit (4)	Percentage Reimbursement (9)	Excess Cost (4)	Full State Funding (2)
Missouri		X						X		
Montana									X	
Nebraska		X								
Nevada				X						
New Hampshire										
New Jersey				X						
New Mexico				X						
New York				X						
North Carolina	X									
North Dakota								X		
Ohio							X			
Oklahoma			X							
Oregon					X					
Pennsylvania	X									
Rhode Island									X	
South Carolina			X							
South Dakota								X		
Tennessee						X				
Texas				X						
Utah[b]				X						

Table 6
State Special Education Finance Formulas, 1992-1993 (cont'd)

STATE	FLAT GRANT		PUPIL WEIGHTING			RESOURCE-BASED		COST		
	Per Student (2)	Per Class or Teacher Unit (7)	By Disability (6)	By Program or Placement (10)	Single Multiplier (2)	Salary Percentage (4)	Classroom Unit (4)	Percentage Reimbursement (9)	Excess Cost (4)	Full State Funding (2)
Vermont								X		
Virginia							X			
Washington							X			
West Virginia							X			
Wisconsin						X				
Wyoming								X		

[a] No data are available for Mississippi.

[b] In Utah, weighted pupil units used in the formula are no longer calculated annually, but remain constant, based on the 1989-90 school year calculations. Adjustments are allowed for growth in ADM.

Source: Center for Special Education Finance Survey data, 1993.

Table 7
Changes to State Special Education Finance Formulas, 1982-1993

STATE	FLAT GRANT			PUPIL WEIGHTING			RESOURCE-BASED			COST			OTHER		
	1982 (18)	1989 (11)	1993 (10)	1982 (12)	1989 (16)	1993 (17)	1982 (8)	1989 (8)	1993 (7)	1982 (10)	1989 (13)	1993 (14)	1982 (2)	1989 (2)	1993 (2)
Alabama	X	X	X												
Alaska				X	X	X									
Arizona				X	X	X									
Arkansas					▲	X				X					
California	X	X	X												
Colorado							X				▲	X			
Connecticut										X	X	X			
Delaware	X	X	X												
District of Columbia													X	X	X
Florida				X	X	X									
Georgia	X				▲	X									
Hawaii													X	X	X
Idaho	X							▲	X						
Illinois	X	X	X												
Indiana				X	X	X									
Iowa				X	X	X									
Kansas	X	X	X												
Kentucky	X	X				▲									
Louisiana	X							▲				▲			
Maine										X	X	X			
Maryland										X	X	X			
Massachusetts				X	X	X									
Michigan										X	X	X			
Minnesota							X	X	X						
Mississippi[a]															

Table 7
Changes to State Special Education Finance Formulas, 1982-1993 (cont'd)

STATE	FLAT GRANT			PUPIL WEIGHTING			RESOURCE-BASED			COST			OTHER		
	1982 (18)	1989 (11)	1993 (10)	1982 (12)	1989 (16)	1993 (17)	1982 (8)	1989 (8)	1993 (7)	1982 (10)	1989 (13)	1993 (14)	1982 (2)	1989 (2)	1993 (2)
Missouri	X	X	X							X	X	X			
Montana										X	X	X			
Nebraska															
Nevada	X	X	X												
New Hampshire	X	X	X												
New Jersey				X	X	X									
New Mexico				X	X	X									
New York				X	X	X									
North Carolina	X	X	X												
North Dakota	X	X										▲			
Ohio							X	X	X						
Oklahoma				X	X	X									
Oregon						▲				X	X				
Pennsylvania			▲							X	X				
Rhode Island	X										▲	X			
South Carolina				X	X	X									
South Dakota										X	X	X			
Tennessee	X				▲							▲			
Texas	X				▲	X									
Utah				X	X	X									

Table 7
Changes to State Special Education Finance Formulas, 1982-1993 (cont'd)

STATE	FLAT GRANT			PUPIL WEIGHTING			RESOURCE-BASED			COST			OTHER		
	1982 (18)	1989 (11)	1993 (10)	1982 (12)	1989 (16)	1993 (17)	1982 (8)	1989 (8)	1993 (7)	1982 (10)	1989 (13)	1993 (14)	1982 (2)	1989 (2)	1993 (2)
Vermont							X				▲	X			
Virginia	X							▲	X						
Washington							X	X	X						
West Virginia							X	X	X						
Wisconsin							X	X	X						
Wyoming							X				▲	X			

▲ Indicates a change in formula type from previous year.

■ Longitudinal data are not available for Mississippi.

Source: Center for Special Education Finance Survey data, 1993.

Although the formulas can be classified according to the broad framework set out above, the basic formula types are inadequate for fully describing differences in philosophy and approach and belie the complexity of the funding systems that generally reside in the states. For example, Vermont and Pennsylvania have recently moved to formulas that incorporate ADA instead of a count of students with disabilities, as fundamental components of their funding systems. While both of these states have purposively adopted similar approaches that are more fiscally neutral with respect to the identification and placement of students, the classification framework contained in this report places each state in a different category. As noted in Table 6, Pennsylvania currently uses a flat grant per student while Vermont's funding system is classified as cost-based. Moreover, many states, like Vermont, incorporate features from multiple funding models, further complicating simple classification. Modifications due to unique state circumstances as well as to political compromises are legion. This has resulted in a widely varied use of particular funding prototypes. For example, pupil weighting formulas are quite diverse across the 18 states currently using this approach. Alaska includes three weights based on the type of services provided (resource, self-contained, or hospital/homebound), while New Jersey's formula incorporates 26 weights based on both student disability and placement. Nevertheless, the framework can be useful for identifying states with a similar general approach to funding special education services.

There are many other dimensions to state funding approaches that are not easily described in a classification framework, such as the use of pupil-teacher ratios, adjustments for district size, and caps or reimbursement limitations. Some of these additional factors, as reported by states, are shown in Table 8. As noted in the table, factors most likely to be included in a state's funding formula include a measure of district wealth or fiscal capacity and a cap on state special education funds. Other factors most often included are adjustments for population growth and population decline. Those least likely to be used are cost-of-living and population density adjustments. The use of these factors varies by type of funding approach used by states. For example, states using a pupil weighting model are more likely than other states to include additional factors in their special education funding formula. This is likely due to the fact that it is fairly straightforward to add weighting factors to a pupil weighting formula.

Theoretically, each of the formula types could be manipulated to result in equal allocations to districts with similar populations of children with disabilities. As such, the formulas used to allocate special education resources have been described as merely mechanisms for transferring funds from one governmental level to another (Hartman, 1980). But state special education funding programs have the capacity, inadvertently or intentionally, to influence programs at the local level. Funding formulas can affect the number and type of children served, the type of programs and services provided by local school districts, the duration of time students spend in

Table 8
Factors Included in State Special Education Finance Formulas

State	District Wealth or Fiscal Capacity (21)	Population Density (Urban Areas) (5)	Population Sparsity (Rural Areas) (10)	Cost-of-Living Adjustment (5)	Cost-of-Education Adjustments (11)	Population Growth (16)	Population Decline (12)	Cap on Number of Special Education Students (8)	Cap on State Special Education Funds (25)
Alabama									X
Alaska				X	X				
Arizona	X	X	X	X		X	X		
Arkansas	X								
California	X			X		X	X	X	X
Colorado								X	X
Connecticut	X					X	X		
Delaware									
District of Columbia	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Florida	X		X			X	X		X
Georgia	X		X		X	X	X		
Hawaii						X			X
Idaho		X	X			X	X		X
Illinois									X
Indiana	X				X				X
Iowa			X						
Kansas									X
Kentucky									
Louisiana	X								
Maine	X				X				
Maryland	X					X			X
Massachusetts	X	X	X						X
Michigan	X								
Minnesota	X								X
Mississippi	N/R	N/R	N/R	N/R	N/R	N/R	N/R	N/R	N/R

Table 8
Factors Included in State Special Education Finance Formulas (cont'd)

State	District Wealth or Fiscal Capacity (21)	Population Density (Urban Areas) (5)	Population Sparsity (Rural Areas) (10)	Cost-of-Living Adjustment (5)	Cost-of-Education Adjustments (11)	Population Growth (16)	Population Decline (12)	Cap on Number of Special Education Students (8)	Cap on State Special Education Funds (25)
Missouri									X
Montana	X		X		X	X	X		X
Nebraska									
Nevada						X			X
New Hampshire	X								
New Jersey					X				X
New Mexico		X	X			X	X		
New York	X		X		X				
North Carolina									X
North Dakota									X
Ohio								X	X
Oklahoma								X	
Oregon	X	X			X			X	
Pennsylvania									X
Rhode Island									X
South Carolina	X								
South Dakota	X				X				
Tennessee									
Texas	X		X			X	X		X
Utah				X		X		X	
Vermont									X
Virginia	X				X	X	X		
Washington				X	X	X	X	X	
West Virginia						X	X	X	X
Wisconsin									X
Wyoming									

Source: Center for Special Education Finance Survey data, 1993.

special education programs, the placement of students in various programs, and class size and caseloads. Administrative processes such as recordkeeping and reporting burden, as well as program and fiscal planning, can also be impacted by the funding formula. Moreover, funding mechanisms can be used to support state priorities and initiatives by, for example, earmarking funds for specific activities, establishing service priorities, providing incentives to develop specific types of programs, or instituting disincentives to discourage agencies from serving students in particular placements. The extent to which a formula may impact local district practice must be evaluated by state policymakers. For example, because state aid is distributed in direct relationship to the number of eligible students, flat grants may encourage over-identification of students eligible for special education. Similarly, a pupil weighting formula may provide an incentive to misclassify students into higher reimbursement categories. With a cost-based formula, if the local share is substantial, an incentive may be provided to identify fewer eligible students in order to minimize program costs.

As noted by Moore, et al., (1982), however, the actual model used may be less significant in explaining local district practice than are the other policy decisions made by developing the funding system, such as the level of state spending, equity, or student eligibility for services. Many of the potential consequences can be mediated by the introduction of additional factors, regulations, and provisions; but this adds to the complexity of the funding system and results in increased administrative and reporting burden. Although incentives and disincentives associated with the various funding models have been described in the research literature, very few empirical studies have examined the potential relationships. A recent longitudinal study by Dempsey and Fuchs (1993) did examine differences in student placement practices at the local level as a function of state reimbursement policy for special education in Tennessee. The researchers concluded that as funding shifted from a flat to a weighted rate, many student placements were shifted toward more financially rewarding options. Similar systematic analyses would help to document the existence of the hypothetical relationships described in the research literature.

States can introduce regulatory or programmatic provisions in an attempt to balance the fiscal and programmatic impacts of various funding models. These would include program standards such as student/staff ratios, and fiscal controls such as targeting, or caps or limitations on the number of students eligible for services. The use of these provisions varies by state. Responses to the CSEF survey indicated that about half the states include caps or limitations on the number of dollars available for special education. States using a flat grant approach were the most likely to cap available funds; those using a pupil weighting formula were least likely to do so. Just over half the states using a cost reimbursement formula reported a limit on available special education resources. Fewer than half the states (n=19) reported having requirements

that special education funds be targeted on the students or teachers/classrooms that generate those funds. Most states using a flat grant and pupil weighting model are not likely to use targeting provisions. Three of the four states using a percentage of personnel cost model and close to half those using a percentage cost formula include targeting provisions in their special education funding systems.

The introduction of additional factors into state systems for financing special education adds to their uniqueness and complexity and exacerbates the difficulties for state policymakers faced with evaluating or changing a state's special education finance program. Criteria for assisting policymakers with this task are discussed in the following section.

Evaluating the Various Special Education Funding Models

Given the variety of potential consequences associated with each of the funding models and the competing interests of policymakers and stakeholders likely to be involved in the selection or modification of a state's formula (e.g., state legislators and administrators, district administrators, parents and advocates), criteria for evaluating and prioritizing among the various approaches must be established. Over the past 15 years, a number of researchers have developed criteria for evaluating special education funding formulas (Bernstein, et al., 1976; Hartman, 1980; Moore et al., 1982). Most recently, Hartman (1992) has synthesized these criteria into a common framework as follows:

- ***Equity*** (Student and Taxpayer). Formulas accommodate varying student needs and concentrations of students with special needs across local districts. Access of students with disabilities to special education and the quality of those programs does not depend on wealth or location of the local district. Variations among districts in their ability to support education are considered. Program or resource equivalence is the goal, not equal spending levels.

- ***Educational Programming***. The delivery of appropriate services is encouraged and prioritized. Inappropriate practices are discouraged. Misclassification and the use of categorical labels, as well as overclassification of students with disabilities is minimized. The principles of least restrictive environment are enforced.

- ***Rationality and Simplicity***. The funding formula is easy to understand by all involved parties. The relationships among key policy elements, such as the numbers of children served, personnel required, or actual costs of services are straightforward. Implementation procedures are not overly complex.

- ***Comprehensiveness.*** All students who are eligible for special education, as well as the resources required to deliver appropriate services, are included in the formula.

- ***Flexibility and Responsiveness.*** The formula is flexible enough to enable districts to address local conditions appropriately and efficaciously. Any changes that affect services and costs can be easily incorporated into the system.

- ***Stability.*** The system enables state policymakers to accurately project annual funding requirements. Local districts are assured of predictable revenues to support their programs.

- ***Accountability and Cost-Effectiveness.*** Funding for special education services at the local level can be tracked using an appropriate cost accounting system. Incentives are included to ensure that local agencies provide services in a cost-effective manner. The formula includes factors that encourage cost containment.

- ***Efficiency.*** Data collection, recordkeeping, and reporting are minimized at both the state and local levels within the boundaries of appropriate program and fiscal management.

- ***Adequate Funding Level.*** Funding is sufficient for all districts to provide appropriate special education services to all eligible students with disabilities.

Clearly, a single funding formula cannot accommodate all of these criteria. State policymakers must prioritize the areas of importance within their state, articulate the goals of the state funding program, and develop appropriate policies that will meet those state goals. Hartman (1992) has suggested four questions which may help policymakers with this task:

1. Who is to be served in special education?

2. How are they to be served effectively--what programs and services are to be provided?

3. What are appropriate resources for the programs and services?

4. How are the costs to be shared between local and state agencies?

Explicit attention to these issues will help policymakers understand the implications of key decisions as they formulate their special education finance systems.

Part II provides an abstract of each state's 1992-93 special education funding formula. The names of individuals in each state who may be contacted for more information regarding a state's formula are provided in the Appendix.

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II. Abstracts of State Special Education Funding Formulas

ALABAMA

The State of Alabama has three separate funding sources for special education aid to local education agencies. The primary source of funds is distributed through a flat grant per teacher unit formula. For 1992-93, 3,700 special education teacher units were allocated to school districts based on a weighted child count which takes into consideration both case loads by disability and student placement. Each teacher unit receives a salary allotment according to a salary schedule that is based on rank of certificate. The same formula is applied to the second funding source--a fixed appropriation for special education activities not included under the teacher unit funding. In 1992-93, approximately 28 million dollars in these discretionary funds were distributed to local education agencies for such special education and related services as transportation, renovation, and equipment acquisition.

A third source of state funding is a catastrophic trust fund to which local education agencies may apply in the event of unusual types of expenditures. Its primary purpose is to fund residential placements for students who are not benefitting from the public school program. There is also a separate appropriation made for special schools for students with disabilities.

ALASKA

The State of Alaska distributes special education aid on an instructional unit basis. Each student enrolled in a special education program generates instructional units depending on the type of services received, as follows:

- Resource Services 0.056
- Self-contained Services 0.100
- Intensive or Hospital/Homebound Services 0.333

Each district receives a minimum of 1.00 instructional unit for special education. Each instructional unit generates a specific amount of funds, determined on an annual basis by the legislature.

ARIZONA

The State of Arizona distributes special education aid using a weighted pupil formula that is part of a system used for distributing regular education funds and funds for other special programs, including bilingual and vocational education. Several weighting factors are included in the formula. Each district receives a base weight of 1.000 for preschool students with disabilities and for students in kindergarten through eighth grade and 1.163 for high school

students. The base weight per student is increased for districts with a total student count of less than 600 pupils.

For special education, an additional weight is added to the student's base weight depending on the special education program. The result is the weighted student count, which is used to calculate the district's budget capacity and state aid. Weights for special education students fall within two groups as follows:

■ **Group A**

The Group A weights are added to the student base weight and applied to the prior year's total student count to generate a weighted student count. Group A includes students in educational programs for specific learning disability, emotional disability, mild mental retardation, remedial education, speech/language impairment, homebound, bilingual, preschool moderate delay, preschool speech/language delay, other health impairments and gifted. The Group A weight for students in preschool programs is 0.450, grades K-8 is 0.158 and grades 9-12 is 0.105. Funds generated under this group are distributed as a block grant to the district and need not be targeted to the specific students generating the funds, provided that all eligible students receive appropriate services.

■ **Group B**

Special education students falling within Group B generate funds through weights which are also applied to the prior year's count of students served in the indicated programs.

• Hearing Impaired	2.353
• Multiple Disabilities/Autism/Severe Mental Retardation-Resource	0.762
• Multiple Disabilities/Autism/Severe Mental Retardation-Self-contained	2.489
• Multiple Disabilities with Severe Sensory Impairment	4.079
• Orthopedic Impairment-Resource	0.603
• Orthopedic Impairment-Self-contained	2.678
• Preschool Severe Delay	2.500
• Emotional Disabilities-Private	1.500
• Moderate Mental Retardation	2.084
• Visually Impairment	2.928

Finally, the total weighted student count is weighted by a teacher experience index which accounts for the number of aggregate years of experience of the district's teachers in excess of the state average.

ARKANSAS

The State of Arkansas administers its special education aid using a weighted pupil formula that also includes provisions for funding regular education, vocational education and gifted and talented programs.

For each district, weighted average daily membership is computed based on the district's average daily membership plus "add-on" weights for special education, vocational education, and gifted and talented. A weighting for small schools previously included in the formula has been phased out. The weighted average daily membership is calculated by taking the average daily membership for each placement type and multiplying that figure by the weight assigned for that particular placement. The "add-on" weights are as follows:

- Itinerant .40
- Resource Room .85
- Self-contained (Ratio 1-15) .70
- Self-contained (Ratio 1-10) 1.10
- Self-contained (Ratio 1-6) 2.00
- Special School, Day 2.35

Students with disabilities placed in approved residential treatment facilities no longer generate an "add-on" weight through the formula. state funds are set aside to reimburse LEAs on a quarterly basis during the "current" year for the educational costs for these children at a rate of 4.1 [base (1) plus the previous weight (3.1)] times the state Base Equalization Rate. This amount is divided by the number of school days in order to calculate a per day amount. The LEA must submit an application for reimbursement for students with disabilities served in a residential facility.

CALIFORNIA

The State of California utilizes a complex formula to distribute special education funds to LEAs that essentially provides a flat grant per allowable instructional unit. The formula was designed to account for differences among LEAs in costs and the needs of the students they serve. Each Special Education Local Plan Area (SELPA, a regionalization of services) may receive state special education funding for a maximum of 10 percent of its total K-12 enrollment. SELPAs are further limited to the percentage of students that can be served within three types of instructional settings, as follows:

- Special Day Classes 2.8 percent
- Resource Specialist Programs (pullout programs) 4.0 percent
- Designated Instruction and Services (special services or related services) 4.0 percent

The SELPA divides the number of authorized students in each instructional setting by a figure that can be viewed as an overall student-teacher ratio to determine the number of funded units (classes) in each instructional setting to which the SELPA is entitled. The student-teacher ratios for each instructional setting are:

- Special Day Classes 10:1
- Resource Specialist Programs 24:1
- Designated Instruction and Services 20:1

The amount of funds each LEA receives for its allowable instructional units is based on reported 1979-80 personnel costs for each type of instructional setting. Those costs, adjusted annually for inflation, are used to determine each LEA's unit rate, which varies widely among school districts. The unit rate determines each LEA's entitlement for direct instructional services.

LEAs are also entitled to funding for support services which cover direct and indirect operating costs. The amount of funds to which each LEA is entitled is determined by the ratio of the LEA's 1979-80 support costs to its 1979-80 instructional personnel costs, which were adjusted for SELPAs that were above the statewide average. This support service ratio is multiplied by the LEA's entitlement for instructional personnel to determine the LEA's entitlement for support services.

Additional funds are available for districts with special circumstances, such as population sparsity or density, or enrollment growth.

COLORADO

The State of Colorado administers a percentage cost reimbursement formula to distribute special education funds. Administrative units are entitled to reimbursement for 80 percent of the salaries of special education personnel, staff travel, equipment, and tuition of children in state approved programs with approved excess costs. When the appropriation by the legislature is less than the aggregate of approved applications, the funds are prorated.

The reimbursement for personnel is tied to the amount of time the employed staff work in a special education assignment. Thus, staff are counted on a full-time equivalent (FTE) basis. There are specified pupil/staff ratios for disabling conditions which serve to limit the number of eligible FTE staff who can be counted for reimbursement. There are also adjustment factors for population sparsity, turnover rate, out-of-home placements, and the severity of the disabilities of the population served.

CONNECTICUT

The State of Connecticut administers a cost reimbursement formula where school districts are reimbursed for between 0 percent and 70 percent of their net cost of special education for the preceding year. The net cost of special education is defined as "the result obtained by subtracting from the expenditures... the total amount of any funds from other state or federal grants, private grants or special education tuition ... used to implement special education program(s)..."

The percentage reimbursement received by each town is based on a general education equalization aid formula, which ranks towns on their ability to pay for education based on their assessed property values. Thus, the wealthiest towns receive 0 percent of their net cost from state aid, while the least wealthy districts can receive as much as 70 percent of their costs and contribute only 30 percent from local sources. (However, instead of receiving 0 percent, the wealthiest districts received a 2 percent reimbursement for FY 1992-93.)

Recently implemented "catastrophic costs" legislation requires that districts be financially responsible for the reasonable costs of special education instruction in an amount equal to five times the average per pupil educational costs of the district for the prior fiscal year. The state Board of Education would pay on a current year basis any costs in excess of the local district's basic contribution. The local district's share of the total costs would be reimbursed (0 percent - 70 percent) in the year immediately subsequent to the district's expenditure.

In addition, if a state agency other than the SEA places a child in a residential facility for "other than educational reasons," the school district where the child was a resident must provide an appropriate special education program for that child. The responsible district's share of such educational cost is 2.5 times the average per pupil cost for the prior fiscal year. The state Board of Education pays (on a current year basis) any costs in excess of the responsible district's basic contribution. The local district's contribution is reimbursed (0 percent - 70 percent) in the year immediately subsequent to the expenditure.

DELAWARE

The State of Delaware administers a special education reimbursement program based upon enrollment units. These units are calculated by the State Board of Education and are based on the total enrollment in the district as of the last day of September. The sum of all units of all programs in a district are multiplied by 93 percent, which becomes the district's "guaranteed unit count."

The teacher/pupil ratios for special education instructional units are as follows:

• Educable Mentally Handicapped	1:15
• Socially or Emotionally Maladjusted	1:10
• Learning Disabilities	1:8
• Blind	1:8
• Autistic	1:4
• Severely Mentally Handicapped	1:6
• Orthopedically Handicapped	1:6
• Trainable Mentally Retarded	1:6
• Intensive Learning Center Units	1:8.6
• Partially Sighted	1:10
• Partially Blind	1:8
• Partially Deaf	1:6
• Deaf-Blind	1:4
• Homebound	Full cost paid by state

DISTRICT OF COLUMBIA

The District of Columbia Public Schools is considered to be a single SEA/LEA and is unique in its governance and funding. There is no special education funding formula.

FLORIDA

The State of Florida administers a weighted pupil formula, the Florida Education Finance Program (FEFP). The FEFP accounts for varying local property tax bases, cost factors, cost

differentials among districts and differences in per student cost for equivalent educational programs due to sparsity and dispersion of student population. FEFP funds are generated by multiplying the number of full-time equivalent (FTE) students in various types of educational programs by cost factors to obtain weighted FTEs. Weighted FTEs are then multiplied by a base student allocation which is established annually by the legislature. Program cost factors are also determined by the legislature. For 1992-93, the special education cost factors are as follows:

• Educable Mentally Handicapped	2.184
• Trainable Mentally Retarded	2.922
• Physically Handicapped	3.453
• Physical and Occupational Therapy (Part-time)	9.527
• Speech, Language and Hearing (Part-time)	5.475
• Speech, Language and Hearing	3.176
• Visually Handicapped (Part-time)	15.145
• Visually Handicapped	4.353
• Emotionally Disturbed (Part-time)	3.740
• Emotionally Disturbed	2.812
• Specific Learning Disability (Part-time)	2.914
• Specific Learning Disability	2.049
• Hospital and Homebound (Part-time)	11.611
• Profoundly Handicapped[2]	4.396
• Gifted (Part-time)	1.896

Students may be weighted in more than one category to a maximum of 25 hours per week if they receive services under more than one category.

Students mainstreamed into basic classes with supplementary aides, equipment, or consultative services can receive double the basic funding weight for the time spent in the mainstream setting.

Changes to this formula are anticipated for the 1995-96 school year.

[2]The Profoundly Handicapped category includes students who are identified as profoundly mentally handicapped, dual-sensory impaired, autistic, and severely emotionally disturbed.

GEORGIA

The State of Georgia administers a weighted pupil formula, Quality Basic Education (QBE) funding, to distribute funds for all instructional programs, including special education. QBE funds are generated by multiplying the number of full-time equivalent (FTE) students in various types of instructional programs by program weights. The weighted FTEs are then multiplied by a base program amount established annually by the legislature. The program weights are reviewed triennially by a task force appointed by the Governor. For 1992-93, the special education program weights are as follows:

- **Category I**: Self-Contained Specific Learning Disabled and Self-Contained Speech-Language Disordered — 2.274
- **Category II**: Mildly Mentally Handicapped — 2.620
- **Category III**: Behavior Disordered, Moderately Mentally Handicapped, Severely Mentally Handicapped, Resource Specific Learning Disabled, Resourced Speech-Language Disordered, Self-Contained Hearing Impaired and Deaf, Self-Contained Orthopedically Handicapped, and Self-Contained Other Health Impaired — 3.320
- **Category IV**: Deaf-Blind, Profoundly Mentally Handicapped, Visually Impaired and Blind, Resourced Hearing Impaired and Deaf, Resourced Orthopedically Handicapped, and Resourced Other Health Impaired — 5.541

Additional funds are provided to districts to pay the state minimum salaries, based on the training and experience of the district's certificated professional personnel in each instructional program.

HAWAII

The State of Hawaii is unique because it operates as a single school system and thus provides full state funding. There is no prescribed funding formula. Rather, the legislature negotiates a biennial school budget based upon the expressed and demonstrated need presented by the State Department of Education. Each program within the department then administers

its appropriations within the sub-districts of the islands. The distribution of the appropriations is made according to a specific plan which must be developed annually by the program office and approved by the State Superintendent of Education.

IDAHO

The State of Idaho administers a resource-based funding program to distribute state special education aid, which has two major components: salary reimbursement for ancillary personnel, and reimbursement for exceptional child support units.

■ Ancillary Personnel

The state reimburses 80 percent of the salaries of ancillary personnel according to their placement on the districts' regular teacher salary schedule. Reimbursement is available for the following positions:

- School Psychologist
- Speech/Language Pathologist
- Facilitators of Gifted/Talented
- Director of Special Education
- Psychological Examiner
- Preschool Teacher
- Physical Therapist
- Supervisor of Special Education
- Social Worker
- Audiologist
- Consulting Teacher
- Special Education Teacher
- Occupational Therapist
- Juvenile Detention Center Teacher

Positions are approved based on availability and need.

■ Exceptional Child Support Units

The exceptional child support program provides a fixed rate reimbursement to districts based on their total special education enrollment and on the number of special placements (students residing in state institutions, intermediate care facilities, and residential facilities) educated by the district. Elementary students are weighted more heavily than secondary students.

A separate funding mechanism is used to reimburse school districts for contracts for special education services with other agencies, up to an annually determined maximum amount of state funding less the district's annual tuition rate. In interdistrict service contract arrangements, the district receiving service pays the district providing service its local annual tuition rate.

ILLINOIS

The State of Illinois distributes funds to school districts or cooperatives to assist in paying salaries of personnel hired to provide special education services. Districts are reimbursed a fixed rate for personnel salaries as follows:

- Hospital/homebound instruction for all eligible children - one-half of the teacher's salary, but not more than $1,000 annually per child or $8,000 per teacher, whichever is less.

- Readers for the blind or partially sighted - one-half of their salary, but not more than $400 annually per child.

- Non-certified employees - the lesser of one-half of the salary or $2,800 annually per employee.

- Full-time professional personnel - $8,000 per special education certified teacher, state approved special education director, related services provider, registered therapist, professional consultant, and special education administrator or supervisor.

When a school district or special education cooperative operates an approved school or program in excess of the adopted school calendar, personnel reimbursement is available at 1/185 of the amount or rate paid. A maximum of 235 days is allowed.

In addition to personnel salary reimbursements, the following special education funding is provided:

1) Assistance to school districts in paying the costs of tuition for students placed by the district in approved day or residential nonpublic schools in the state, and public and nonpublic schools outside the state. School districts are required to pay the actual cost of tuition and related services provided, or $4,500, whichever is less. Districts are reimbursed by the state for tuition that exceeds the district per capita tuition rate, up to $4,500. If the tuition exceeds $4,500, the district pays a second amount equivalent to its per capita tuition rate and the state reimburses the remaining cost.

2) Assistance to school districts in paying the costs of educational programs for students with disabilities who require extraordinary special education facilities and/or services. Reimbursement is provided for the per capita cost of educating these children for the amount that is in excess of the district per capita tuition charge for the prior year or $2,000, whichever is less.

3) Reimbursement for the actual costs of educating eligible children with disabilities who reside in orphanages, foster family homes, children's homes, or state housing units.

4) Reimbursement for 4/5 of the cost of transportation for each child who requires special transportation service in order to take advantage of special education facilities.

5) Reimbursement for children eligible under #1 and #2 above and enrolled in summer school for at least 60 clock hours.

INDIANA

The State of Indiana administers a weighted pupil formula to distribute special education resources, with specific weights assigned to individual categories of disability as follows:

• Multiply Handicapped	2.37
• Physically Handicapped	2.04
• Visually Handicapped	2.70
• Hearing Impaired	2.73
• Emotionally Disturbed (full-time services)	2.52
• Emotionally Disturbed (all others)	0.94
• Neurologically Impaired/Learning Disabled (full-time services)	2.52
• Neurologically Impaired/Learning Disabled (all others)	0.94
• Communication Handicapped	0.19
• Educable Mentally Retarded	1.20
• Trainable Mentally Retarded	1.51
• Severely/Profoundly Mentally Retarded	2.37
• Homebound	0.57

These weights are add-on calculations for children in approved programs. Eligible children are also included in the basic aid formula.

If special education services are provided more than 50 percent of the instructional day, the student may be counted as "full-time" for reimbursement purposes. Where the services are provided is not important...the amount of services is. Thus a student who is served all day in a general education classroom (inclusion) who receives special education services more than 50 percent of the day is counted full-time.

IOWA

The State of Iowa uses a weighted pupil formula to distribute aid for special education instructional programs, which is integrated into the total educational finance system of the state. Pupils in a regular curriculum are assigned a weight of 1.0. For special education students, the 1992-93 weighting scheme is based on three program models, as follows:

- Special adaptations to regular classroom 1.68
- Resource room (maximum teacher-pupil ratio of 1:18) 1.68
- Special class with integration (maximum teacher-pupil ratio of 1:12 or 1:15) 1.68
- Self-contained placement with minimal integration (maximum teacher-pupil ratio of 1:8 or 1:10) 2.35
- Self-contained placement with no integration (maximum teacher-pupil ratio of 1:5) 3.52

A pupil requiring special education is assigned one of the three weights and generates special education funds at that weight times the district cost per pupil, which varies from district to district.

A network of 15 intermediate districts provides special education support services to the identified special education population. Such services include special education supervision, therapeutics, speech, social workers, consultants as required, and other support services. Funding for support services is determined by a per pupil cost for each intermediate agency and the district's weighted enrollment.

KANSAS

The State of Kansas distributes special education aid to school districts on a flat grant per unit basis. A "unit" is defined as one full-time equivalent (FTE) teacher, administrator, or related services professional or paraprofessional. For funding purposes, paraprofessionals are counted as 2/5 FTE special teacher.

The legislature makes an annual appropriation for special education from which is subtracted reimbursements to school districts for student transportation and staff travel allowances. Reimbursement of up to 80 percent of actual expenses (up to $600) incurred for the maintenance of an exceptional child at some place other than the residence of such child for the provision of special education services is also subtracted from the annual special education appropriation.

From the remainder, funds are distributed to districts based on the proportion of FTE special education teachers in each district to the total number of FTE special education teachers employed by all school districts. Note that special education teachers in excess of the number of special education teachers necessary to comply with authorized pupil-teacher ratios are not counted for funding purposes.

KENTUCKY

The State of Kentucky uses a weighted pupil formula to distribute special education funds, which is integrated into the general aid formula. All students generate money for a school district based on average daily attendance (ADA). Students with disabilities ages five through twenty generate an *exceptional child add-on* based on categories of disability. The exceptional child add-on is multiplied times the base amount awarded for ADA (determined annually by the Division of Finance, based on available funds). For the 1992-93 school year, the exceptional child add-ons were as follows for children identified as:

- Trainable, Severe/Profound, Hearing Impaired, Visually Impaired, Emotional Behavior Disabled, Deaf-Blind, Autistic, Traumatic Brain Injured, and Multiply Disabled 2.34

- Educable, Orthopedically Impaired, Other Health Impaired, Specific Learning Disabled, and five-year-old Developmentally Delayed children 1.17

- Speech or Language Disabled Only 0.24

LOUISIANA

In transition to a new weighted formula, school systems in Louisiana receive actual costs for special education services for the prior year plus 2 percent. This is adjusted to actual costs at the end of the current year. Student/staff ratios exist to assist school districts with their staffing requirements for supervisors, teachers, aides, therapists and appraisal personnel. Special education attendants for buses on which eligible children are transported are funded through transportation funds at a fixed rate for all approved attendants.

Additional funds are provided on request of districts for transportation, lifts for buses, equipment and supplies, appraisal, occupational therapy, and physical therapy. These funds are distributed on a first-come, first-serve basis. Supplemental funds are also available for hospital/homebound teachers.

For the 1992-93 school year, Louisiana used this transition formula. A pupil weighting formula is anticipated for the 1994-95 school year.

MAINE

The State of Maine administers a special education subsidy formula which provides a percentage subsidy to school districts for specified costs. The special education costs that are subsidized include the salary and benefits of certified professional personnel (administrators, teachers, and educational specialists assigned to provide or administer special education services), approved assistants or aides, clerical staff, and qualified independent contractors performing special education services or supportive services.

Costs are also subsidized for tuition, board, and supportive services paid to other school units or private schools which have been approved by the Commissioner for the provision of special education and supportive services.

Subsidies on these costs are based on two year old costs. The state subsidizes the costs of programs and services for state wards and state agency clients at 100 percent of costs. These costs are subsidized in the year the program is provided.

Local districts are required to provide at least 45 percent of the costs, depending on assessed property value, while the state subsidy provides the remainder.

MARYLAND

The State of Maryland administers an excess cost formula to distribute special education funds, using a two-tiered approach. The first tier, developed in 1977, distributes a flat $70,000,000 on a grant basis resulting in an average 70 percent state and 30 percent local revenue contribution. The distribution formula is designed to equalize the local contribution based on property wealth, and to apply to the cost index, bringing counties up to the statewide median per pupil expenditure while freezing those who exceed the median.

A second tier was developed in response to recommendations made by a 1986 task force that studied state special education funding. Any additional funds for special education that may be appropriated by the legislature on an annual basis ($6 to $7 million in the past two years) are distributed according to several task force recommendations: 1) enrollment data representing the total number of children with disabilities, 0-21, served by each local school system; and 2) an equalization component that consists of a ratio of county wealth per pupil to the average state wealth per pupil.

MASSACHUSETTS

The Commonwealth of Massachusetts administers a state aid formula for education (including special education) which provides a fixed amount of local aid for each city and town based on non-educational factors such as population density and road mileage, and, in large part, on full-time equivalent enrollment, with additional weight assigned for students receiving special education services or other specialized programming (for example, vocational programming).

For any and all special education pupils, irrespective of delivery model, a weight of four times the special education FTE is assigned. This weight is then included as a multiplier, along with the assigned weights for other specially designated programs, in the calculations of a district's total weighted FTE, which becomes part of the final award of state aid.

Recently passed legislation will result in future changes to this formula.

MICHIGAN

The State of Michigan administers an excess cost formula to distribute categorical special education aid to school districts. Total approved direct special education costs plus indirect costs for operation and maintenance (up to 15 percent of direct costs) are calculated. From this amount is subtracted general per pupil membership aid, calculated on a full-time equivalency (FTE) basis for students enrolled in special education programs, to determine added costs.

The added cost is funded by the state at variable percentage rates based upon available funds. For state or court placements, 100 percent of added cost is paid. For other services, the added cost has been reimbursed at 12 percent to 20 percent for the past few years.

Transportation is reimbursed on a formula basis that includes such factors as bus fleet capacity, regional salary costs, amortization, insurance, and overhead. Reimbursement for special transportation uses a similar formula, but weighting is based on the number of buses versus ridership for regular transportation aid.

The state school aid formula recaptures special education, transportation, and other categorical aid from approximately 25 percent of local school districts that have a higher state equalized property value (SEV) per pupil than guaranteed in the state aid formula. The higher the SEV per pupil, the higher the percent of recapture.

In addition to state aid and local school district revenue, each of Michigan's 57 intermediate school districts (ISDs) has passed a special education millage. The average is 2.4 mills. The revenues from this county tax are used for special education programs and services. The ISDs also provide direct and support services for local school districts within the ISD. Most of the ISDs also distribute a portion of the tax to local districts to be used for special education.

MINNESOTA

Minnesota distributes special education aid to school districts for a portion of personnel costs. Reimbursement for personnel is a salary-based formula comprised of state aid and local school district levy. A fixed percentage of aid is paid on contracted personnel, (not employed by the district), supplies and equipment, and home-based travel for early childhood programs. Student contracted services and residential placements receive a percentage of aid based on the difference between the cost of the program and General Education Revenue received.

The aid formulas for 1992-93 are as follows:

Salaries 1992-93: 55.2 percent of salary expenditure of regular school district employees, not to exceed $15,320 in aid. Full-time employees with salaries in excess of $27,753 are subject to the $15,320 aid limitation. Part-time salaries and aid are prorated accordingly. Districts may levy for the difference between the cap of $15,320 (prorated) and full 66 percent of salary.

Personnel Contracts: 52 percent of expenditure. Personnel contracts are for persons who are NOT regular employees of the school district.

Instructional Supplies and Equipment: 47 percent of the cost of instructional supplies, materials and equipment, not to exceed an average of $47 of aid per disabled child as determined by the duplicate child count. (Note: The summer school formula does not provide for aid on supplies and equipment. However, supplies and equipment can be purchased during the regular school term for the subsequent summer school program.

Student Contracts: 52 percent of the cost of the education program AFTER general education revenue has been subtracted from the expenditure.

Early Childhood Home-Base Staff Travel: 50 percent of expenditure for staff travel for essential personnel providing home-based service to children under age five.

Special Pupil: 100 percent of the cost of the education program AFTER general education revenue has been subtracted from the expenditure. This aid is limited to residential placement of students for whom no district of residence can be determined.

Residential: 57 percent of the cost of the education program AFTER general education revenue has been subtracted from the expenditure.

MISSISSIPPI

The State of Mississippi distributes special education aid based on approved teacher units. An annual state appropriation reflects an allocation of a specific number of teacher units, based on an estimate of the number of teachers that will be needed in the following year.

Funding for an approved special education unit is based on the teacher's salary, fixed charges, and support services. The level of preparation and experience of each teacher and the current level of funding for supportive services are the basis for the amount allocated per teacher unit. Special education teacher units are allocated as an integral part of the basic funding formula and are in addition to "regular" teacher units earned based on the average daily attendance of students.

Mississippi did not respond to the survey. This formula was used during the 1988-89 school year and may no longer be in place.

MISSOURI

The State of Missouri distributes funds for special education programs based on a flat grant per approved class of students. Funds received for special education programs are in addition to the amount received from the basic per child foundation program. In 1992-93, special education funds were distributed as follows:[1]

- $15,324 for each approved class of children
- One half the rate for school-age classes, for programs for children between the ages of three and five
- $8,010 for each professional staff member other than classroom teachers
- $4,005 for each full-time teacher aide
- $1,620 for each homebound student
- One dollar for each child under 21 enumerated on the annual census of students with handicaps

[1]The rates of reimbursement for these classes are adjusted annually by the same percent that the appropriation of state funds for the school foundation program is changed from the previous year.

MONTANA

The State of Montana administers a percentage cost formula which is based on a biennial appropriation from the legislature, earmarked as a special education budget. "Approvable" allowable cost requests are submitted to the Office of Public Instruction (OPI) by local districts and Full Service Special Education Cooperatives. The OPI then allocates the available special education revenues utilizing the following two-tiered priority funding system:

- Salaries for special education resource and self-contained teachers, school psychologists, speech therapists, travel related to the services offered by these personnel, and out-of-district residential costs for educational services are classified as priority 1. In 1992-93, state funding of priority 1 costs was 73.2 percent.

- Priority 2 costs include all other allowable costs, such as salaries for related services providers, support and supervisory personnel, and contracted services. In 1992-93 the state supported 60.3 percent of the total approvable allowable cost requests submitted by local districts and cooperatives under priority 2.

Montana's special education funding system has been changed by the 1993 legislature. A new system will be implemented for the 1994-95 school year.

NEBRASKA

The state of Nebraska administers an excess cost formula for school age (5-21) special education programs in which school districts are reimbursed for a percentage of the allowable excess cost of the proceeding year's special education programs. Excess cost is defined as the difference between (1) the total allowable cost of the special education programs excluding residential care and (2) the number of students (full time equivalency) in the special education program multiplied by the adjusted average per pupil cost of the resident school district of each child for the preceding school year. Allowable costs include

- Salaries and fringe benefits of special education staff

- Inservice costs directly related to special education

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- Travel costs of special education staff
- Travel costs of parents to attend educational planning meetings held outside the resident district
- Instructional equipment, supplies, publications
- Contracted special education services
- Costs of acquisition, renovation and operation of mobile learning centers

School districts provide school age special education programs by the following levels of service:

- Level I - support services provided to students who require an aggregate of not more than three hours of service per week. Level I support services may be provided directly or contracted and include all special education administrative, diagnostic, consultative, and vocational adjustment counselor services.
- Level II - special education and related services that are provided outside of the regular class program for a period of time exceeding an aggregate of three hours per week.
- Level III - special education and related services that are provided in an approved educational setting not operated by the resident school district. Special education services are provided for a period of time exceeding an aggregate of three hours per week.

School districts are reimbursed for 90 percent of the allowable excess costs for Level II and Level III programs. Level I services are reimbursed at 80 percent of allowable costs.

Early childhood programs (below age 5) are paid concurrently at 90 percent of allowable costs. Allowable costs for early childhood programs are the same as school age (listed above) with the addition of facility costs, which are limited to plant operations, maintenance, repairs and lease costs.

Reimbursement for costs associated with transportation of children with disabilities is also reimbursed concurrently at 90 percent for both early childhood and school age programs.

NEVADA

The State of Nevada administers a flat grant per unit funding mechanism to distribute special education aid; as an integral factor in the Nevada Plan, the program used to finance elementary and secondary education in the state.

Special education is funded on an instructional unit basis, at a legislatively approved amount per unit. A unit is defined as an organized instructional unit which includes the full-time services of licensed personnel providing an instructional program in accordance with minimum standards prescribed by the state Board of Education. The special education unit appropriation is added to the total basic support per district to provide a guaranteed amount of funding to a local school district.

Special discretionary units are reserved by the state Board of Education for distribution to districts on a special need basis.

NEW HAMPSHIRE

The State of New Hampshire administers an equalized weighted pupil formula to distribute state aid for elementary and secondary education programs, including special education and vocational programs.

The weights assigned to students with disabilities are designed to reflect the differences in education costs among the disability classifications of children when compared to the average current operating expenditure to educate a resident pupil in grades K-8 who is not disabled. An elementary student who is not disabled carries a weight of 1.0. For students with disabilities, weights are assigned by program, as follows:

In-district, within a self-contained special education classroom	2.57
In-district, without placement in a self-contained special education classroom	2.57
Out-of-district day placement	7.08
Residential placement	8.72
Preschool day placement	3.37

In calculating the amount of state aid to which a district is entitled, an equalization formula is applied to the weighted pupil count to reflect three factors, the property wealth, the personal income wealth and the tax effort of a school district.

In addition, the state appropriates at least $1,000,000 annually to assist school districts in meeting catastrophic costs in their special education programs. Catastrophic aid is available for students for whom the costs of special education exceed 3.5 times the state average expenditure per pupil. The amount of catastrophic aid that a district can receive is calculated using an equalized formula and may not be more than 80 percent of catastrophic costs exceeding 3.5 times the state average expenditure per pupil.

NEW JERSEY

The State of New Jersey administers a weighted pupil formula to distribute state aid for special education. The weights listed below for each of the program categories are multiplied by pupil incidence in each of the programs. The resulting "categorical aid units" are multiplied by the state base allocation to determine the level of state special education funding, which is additional to general education aid. Weights are adjusted annually, and for 1992-93 include the following:

• Educable Mentally Retarded	.60
• Trainable Mentally Retarded	.99
• Orthopedically Handicapped	1.70
• Neurologically Impaired	.42
• Perceptually Impaired	.12
• Visually Handicapped	2.79
• Auditorially Handicapped	1.63
• Communication Handicapped	.84
• Emotionally Disturbed	1.09
• Socially Maladjusted	.67
• Chronically Ill	2.23
• Multiply Handicapped	1.05
• Preschool Handicapped (half day)	.30
• Preschool Handicapped (full-day)	.60
• Resource Room	.45
• Autistic	1.84
• Supplementary and Speech Instruction	.18

- Homebound Instruction No. of Hours x .0025
- County Special Services District 1.38
- County Vocational Special Education .59
- Regional Day School 1.38

State Facilities

- Residential Facilities for Retarded 1.72
- Day Training Center 2.37
- Residential Youth Center 1.39
- Training School or Correctional Facility .56
- Child Treatment Centers or Psychiatric Hospital 1.03

NEW MEXICO

The State of New Mexico administers its state aid for special education based upon a formula of weighted program and pupil units. Program units for related services are based on teacher time required to deliver services. Pupil units for special education are based on the amount of special education received by the child. There are four pupil unit classifications (minimum, moderate, extensive and maximum services). Each classification has a cost differential factor as follows:

- Minimum 1.1 - 0.57
- Moderate 1.1 - 0.83
- Extensive 1.9
- Maximum 3.5

A unit value is derived annually from the legislative appropriation for New Mexico Public Schools. Pupils are identified by the amount of service designations stated above, and revenue is distributed based on the product of the unit value and the cost differential factor. Student/staff ratios are established for each program classification, and an instructional staff training and experience index is also used.

NEW YORK

The State of New York administers a weighted pupil formula which is based upon intensity of service. Although a special education pupil does not have to be enrolled in a special class or resource program to generate special education aid, the student must be provided some special education services or approved related or support services to qualify for the additional aid. Weights, which are not adjusted on an annual basis, include

• Sixty percent or more of each school day in a special class	2.70
• Sixty percent or more of each school day with special services or programs	2.70
• Home or hospital instruction for a period of more than 60 days	2.70
• Twenty percent or more of each school week in a resource room	1.90
• Twenty percent or more of each school week with special services or programs	1.90
• One hundred percent of each school day in a regular class with specially designed individualized instruction provided by or in consultation with a teacher of special education, and related services as needed	1.80
• Two or more periods each week of special instruction either in speech or in another special program or service	1.13

NORTH CAROLINA

In North Carolina, state funds for special education are additional to basic education aid, which is based on average daily membership of school districts. Funds for exceptional education (which include both special education and programs for the academically gifted) are distributed on a per child basis determined by dividing the total available state exceptional children funds by the April 1 student headcounts of disabled and academically gifted students.

Each district's allocation is determined by multiplying the per child amount by the total count of exceptional students.

The counts of exceptional children with disabilities in each local school district are limited to 12.5 percent of the average daily membership.

NORTH DAKOTA

The State of North Dakota distributes special education aid on an approved program basis. The Department of Public Instruction distributes funds for special education personnel based on three factors: the units of services provided by the district, the district's special education program costs, and the district's special education program needs.

OHIO

The state of Ohio administers a formula to fund special education programs and related services based on special education units and individual reimbursement. A special education unit is defined as the ratio of a full-time staff (i.e., 1.0 FTE) in relation to a minimum number of students with disabilities served by the special education unit staff member. Special education units vary in size depending on the exceptionality served. Eighteen different types of special education units are funded, as follows:

- Psychological Services
- Special Education Supervisor
- Speech and Hearing
- Occupational or Physical Therapist
- Work Study Coordinator
- Vocational-Special Educational Coordinator
- Hearing Handicapped
- Orthopedic Handicapped
- Visually Handicapped
- Multi-Handicapped
- Learning Disability
- Severe Behavior Disability
- Developmentally Handicapped
- Adapted Physical Education

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- Supplemental Services Teacher
- Preschool
- Orientation & Mobility Instructor
- Audiology Services

Unit funding is directly linked to a state minimum salary schedule which is designed to reflect staff training and experience. Approved units for students who are gifted, child study, occupational or physical therapy, speech and hearing services, supervisors, and coordinators of special education units are funded at the total of the teacher's salary allowance plus 15 percent of the salary allowance for retirement and sick leave, as well as $2,132 (for 1992-93) per unit for additional costs. Approved units for students classified as developmentally handicapped and other special education classroom teacher units are funded at the total of the teacher's salary allowance, plus 15 percent of the salary allowance for retirement and sick leave, plus $8,023 (for 1992-93) per unit for classroom and other expenses.

Individual reimbursement for other services is based upon a set of formulas specified in the state rules governing special education. The following types of reimbursement are funded:

- Transportation
- Home Instruction
- Individual and Small Group Instruction
- Interpreter Services
- Occupational Therapy
- Physical Therapy
- Reader Guide
- Attendant Services

Changes to Ohio's special education finance system are anticipated for FY 95.

OKLAHOMA

The State of Oklahoma utilizes a weighted pupil formula for distributing special education aid to school districts. In addition to the base support level per average daily attendance, the following pupil weights are applied based upon the December 1 count each year:

• Visually Handicapped	3.8
• Learning Disabled	0.4
• Hearing Impaired	2.9
• Deaf-Blind	3.8
• Educable Mentally Handicapped	1.3
• Emotionally Disturbed	2.5
• Gifted	0.34
• Multiply Handicapped	2.4
• Physically Handicapped	1.2
• Speech Impaired	0.05
• Trainable Mentally Handicapped	1.3

In addition, Regional Education Service Centers are state funded at 100 percent to provide support services such as assessment, educational evaluation, and prescriptive teaching. Homebound programs are funded on an hourly basis.

OREGON

The state of Oregon administers a weighted pupil formula that provides districts with twice as much revenue for special education students as for regular education students. Each district's basic state support amount is determined (in part) by the district's average daily membership--resident (ADM-R), a figure reported by the Oregon Department of Education's Office of School Finance. Students receiving special education services are included in the ADM-R and are also counted in the "additional weighted ADM," a figure reported by the Office of Special Education. This additional weighted ADM increases a district's state funding proportionally, but cannot exceed 11 percent of the district's basic state funding.

The Department of Education also provides grants in aid or support for

- Special schools for deaf or blind children
- Medicaid match for administration efforts to secure Medicaid funds for services provided to children with disabilities
- Education services for children who are hospitalized due to severe disability

- Private agency programs for education services to children who are placed by the state in long-term care or treatment facilities
- Regional services provided to children with low-incidence disabilities
- Early childhood special education provided to preschool children with disabilities from age three until age of eligibility for kindergarten
- Early intervention services for preschool children from birth until age three
- Evaluation services for children with disabilities

PENNSYLVANIA

In Pennsylvania, special education allocations to school districts are based on each district's average daily membership (ADM). For 1992-93, 15 percent of each district's total ADM was funded at $1,000, and an additional 1 percent of each district's ADM was funded at $12,225.

In 1992-93, intermediate units received $27 million (5 percent of the total special education appropriation), 65 percent of which was distributed according to ADM and 35 percent of which was distributed as flat grants.

The state of Pennsylvania set aside $5 million (1 percent of the total special education appropriation) for school districts to cover extraordinary expenses associated with providing special education programs. In addition, $20 million was set aside for special education programs for children in institutionalized programs.

RHODE ISLAND

The State of Rhode Island administers an excess cost formula which provides funds to school districts for special education personnel, materials and equipment, tuition, transportation, rent, and contractual services, for programs for special education students in ten program placements. No reimbursement is provided for expenditures in excess of 110 percent of the state median cost for special education pupils in each placement.

If the appropriation does not equal the total earned, each district is ratably reduced. Currently, the funding level is at 56 percent of the excess costs.

Changes to Rhode Island's special education funding system are scheduled for 1994-95.

SOUTH CAROLINA

The State of South Carolina administers a weighted pupil formula to distribute special education aid that is tied to general education funding. A base student cost is established annually by the General Assembly with weights for special education students and for vocational programs. Also, kindergarten, primary, and high school students are weighted more heavily than are elementary pupils. Weights for special education are as follows:

• Educable mentally handicapped • Learning disabled	1.74
• Trainable mentally handicapped • Emotionally handicapped • Orthopedically handicapped	2.04
• Visually handicapped • Hearing handicapped	2.57
• Speech handicapped	1.90
• Homebound	2.10

The formula also establishes maximum class sizes and specifies that 85 percent of funds be spent on the category of pupils generating those funds. A special appropriation from the legislature is made annually for programs for the profoundly mentally retarded.

SOUTH DAKOTA

Special education entitlements for school districts are based on a formula that reimburses districts for allowable costs. Allowable costs include expenditures of salaries, benefits

purchased services and supplies for the following: all instructional programs, attendance and social services, health services, psychological services, speech and audiology services, preschool, improvement of instruction, other school administration, pupil transportation, other support services, cooperative special education services, planning/research/evaluation services and out-of-district placement. These allowable costs are reduced by certain deductible revenues and a calculated local effort. Each district's local effort is calculated by assessing $.70/per thousand against a total equalized valuation within the district. A district then receives 100 percent of the difference of the allowable costs less deductible revenues less local effort.

If appropriated state funds are insufficient to fully reimburse the school districts, each school district is reimbursed on a pro rata basis.

TENNESSEE

The State of Tennessee administers a resource-based formula to distribute special education funds to school districts as one component of the Tennessee Basic Education Program (BEP). Using a state salary schedule, the average instructional salary for each school system is multiplied by the number of staff positions to determine total special education support. Positions are counted for special education teachers, assistants, supervisors, and assessment personnel. The number of staff positions is determined by the number of students served in 10 different service categories, as described below:

- Option 1: Consulting Teacher, at least twice a month; Direct Services, less than 1 hour per week; Related Services, at least twice a month and less than one hour per week
- Option 2: Direct Instructional Services, 1-3 hours/week
- Option 3: Resource Program, 4-8 hours/week
- Option 4: Resource Program, 9-13 hours/week
- Option 5: Resource Program, 14-22 hours/week
- Option 6: Ancillary Personnel, 4 hours/day in the regular classroom
- Option 7: Development Class/Mainstreamed, 23 or more hours/week

- Option 8: Self-Contained Comprehensive Development Class, 32.5 or more hours/week, including 2 related services
- Option 9: Residential Program, 24 hours per day
- Option 10: Homebound Hospital Instruction, 3 hours per week

Special education teachers are allocated to a district based on the number of special education pupils identified and served by option, as allowed by the following schedule:

- Option 1: 91
- Option 2: 73
- Option 3: 46
- Option 4: 25
- Option 5: 15
- Option 6: 2
- Option 7: 10
- Option 8: 6
- Option 9: 0
- Option 10: 10

Special education assistants are calculated at a ratio of one per 60 pupils identified and served in Options 5, 7, and 8. Special education supervisors are calculated at a ratio of one per 750 identified and served students. Special education assessment personnel are calculated at a rate of one per 600 identified and served students.

Very high cost students are funded under a different mechanism.

TEXAS

The State of Texas administers a weighted pupil formula for distribution of special education aid as an integral part of its basic foundation school program. For each full-time equivalent student in average daily attendance in a special education program, a school district is entitled to an annual allotment equal to the adjusted basic allotment multiplied by a weighting factor according to the special education instructional program, as follows:

- Homebound/Hospital Class 5.0
- Speech Therapy 7.11
- Resource Room 2.7
- Self-contained, mild and moderate, regular campus 2.3
- Self-contained, severe, regular campus 3.5

• Self-contained, separate campus	2.7
• Multi-district Class	3.5
• Nonpublic Day School	3.5
• Vocational Adjustment Class	2.3
• Community Class	3.5
• Mainstream	0.25

UTAH

Prior to the 1991-92 school year, the State of Utah administered a weighted pupil formula to distribute funding for special education programs that was based on five levels of service, each of which was assigned a weight approved by the legislature and generally indicated the intensity and complexity of the services delivered.

The distribution of funds generated by this "level" formula did not vary greatly from one year to the next, but the burden associated with collecting the data necessary to calculate each district's share was considerable. Because of the lack of year-to-year variance, the legislature felt it could safely eliminate the data burden by eliminating the level formula and setting the 1989-90 school year as the base year. Essentially, each district generated a certain number of weighted pupil units (WPUs) under the level formula in 1989-90; this 1989-90 WPU figure became the base year figure for each district. In subsequent years, the number of 1989-90 WPUs in each district was prorated to the current year's appropriation.

A district is allotted additional WPUs if year-to-year growth rates in average daily membership (ADM) in both special education and the district as a whole exceed certain thresholds. A district's allowed growth factor is the lesser of the two ADM growth rates (special education or district-wide) multiplied by a fixed factor (1.53 for the 1992-93 school year).

A district is not allowed additional growth WPUs if the proportion of district-wide ADM identified as special education exceeds 12.18 percent.

VERMONT

The State of Vermont administers a special education funding program that has three separate components. The first component, mainstream block grants, provides to school districts a portion of their "mainstream service cost." The state provides 60 percent of the average salary for

- 3.5 FTE per 1,000 ADM for Resource Room Services and Learning Specialist Services
- 1.75 FTE per 1,000 ADM for Speech and Language Pathology Services
- 1.0 FTE per 1,500 ADM for Administrators

Towns justifying high special education counts are eligible for additional funds.

The second component of Vermont's funding program, the extraordinary services reimbursement, applies to individual catastrophic cases. If a district spends more than three times the elementary education foundation cost per pupil on a single child with a disability, the state reimburses the district for 90 percent of the funds in excess of three times the foundation cost ($4,020 x 3 = $12,060 for FY 1993).

The third component of the funding program is the intensive services reimbursement, which was intended to comprise the largest state share of special education expenditures. This component provides funds to districts for all special education costs not covered by federal funds or state or local shares of block grant and extraordinary reimbursement. The percentage reimbursement received by each district is based on its ability to pay. The share level is adjusted annually to assure that the state's share across all three components of the formula equals 50 percent.

Essential early education grants, statewide itinerant services, state wards, and training grants fall outside the formula process.

VIRGINIA

The State of Virginia administers a funding program to distribute special education aid to school districts that is additional to aid provided for the basic education program. The amount of special education aid to which a district is entitled is calculated based on the number of instructional positions required using Board of Education adopted pupil-teacher ratios by exceptionality, as follows:

	With Aide	Without Aide
• Primary EMR		
Self-Contained	11	9
Resource	--	24
• Elementary EMR		
Self-Contained	13	10
Resource	--	24
• Junior High EMR		
Self-Contained	--	15
Resource	--	24
• Senior High EMR		
Self-Contained	--	17
Resource	--	24
• Trainable Mentally Retarded		
Self-Contained	10	8
• Severely/Profoundly Handicapped		
Self-Contained	8	6
• Physically Handicapped		
Self-Contained	10	8
Resource	--	24
• Hearing Impaired		
Self-Contained	10	8
Resource	--	24
• Specific Learning Disabled		
Self-Contained	10	8
Resource	--	24

	With Aide	Without Aide
• Seriously Emotionally Disturbed		
Self-Contained	10	8
Resource	--	24
• Speech Impaired		
Itinerant	--	75

The number of required instructional positions is multiplied by a linear weighted average of statewide teacher salaries. The state's share of the special education costs is determined for each district based on the locality's ability to pay, and is disbursed as a per pupil amount based on the ADM of all students in the district.

Support costs for pupils with disabilities not served in regular day schools are calculated using prevailing per pupil statewide costs. The state then reimburses each school district for such costs based on the locality's ability to pay.

For children with a low incidence disability who are placed in public regional programs for students with disabilities, school districts are reimbursed a percentage (according to ability to pay) of the tuition rate set by the Department of Education.

WASHINGTON

The State of Washington administers a full cost special education funding system that combines payments for basic education and special education excess costs. The funding system is based on the assumption that the more educational delay a student has the more resources he/she will require. Underlying parameters of the Washington funding system include four educational delay/resource consumption categories for each disability category. The formula is based on certificated and classified staff formula units which are calculated for 14 disability categories using different staffing ratios for each category. A specific learning disabled (SLD) severity factor is also calculated and applied to the staff formula units. The severity factor ranges from a high of 2.71 for a district in which the SLD enrollment is less than or equal to 4 percent of the district's total enrollment to a low of 1.00 for a district in which the SLD enrollment is greater than 15 percent of the district's total enrollment. Using the certificated and classified staff formula units, a staff mix factor and district base salary schedules, staff salaries, and 'ringe and insurance benefits for each district are calculated.

Nonemployee related costs (NERC) are also provided, based on the headcount enrollment in each disability category multiplied by an annually established NERC rate ($758 for 1990-91).

Finally, since funding for the basic portion of the special education program is contained within the special education formula and students with disabilities are reported both for special education aid and the basic education allocation, special education FTE enrollment is calculated and subtracted from the basic education formula to avoid duplicate funding. Thus, for students with disabilities, basic education funds are received only for that portion of time that students are not in a special education program. The excess costs for the special education program are fully funded by the state for staff salaries and benefits, as well as nonemployee related costs, as described above.

WEST VIRGINIA

The State of West Virginia administers its state aid for special education as an integral part of its basic state aid formula, the West Virginia Basic Foundation Program. Through this program, the state provides support to school districts for salaries of professional educators and service personnel, fixed charges, pupil transportation, administrative costs, other current expenses, and improvement of instructional programs. Aid is provided to each school district in an inverse relationship to its ability to pay for public school programs.

The aid for salaries is based on the state's minimum salary schedule up to a ceiling of 53.5 professional staff per 1,000 students and 34 service personnel per 1,000 students. For these purposes, all students are counted similarly except for pupils who are disabled, who are weighted by a factor of 3:1 and for pupils who are gifted who are weighted by a factor of 2:1. The funds generated through the state aid formula are returned to the county school districts not earmarked; therefore, those funds received for the count of exceptional students through the formula may be expended for all students.

Additional "out-of-formula" funds are generated by a count of exceptional students reported annually by each of the county school districts at the end of the second school month. These funds may be used only for identified exceptional students who are receiving special education services at the end of the second school month. Some of the approvable uses of the funds are for transportation, physical therapy, occupational therapy, speech therapy, salaries and fringe benefits, materials, equipment, supplies, and personnel training and travel. Each county school district must complete an annual project application describing the use of the funds.

WISCONSIN

The State of Wisconsin administers a percentage salary reimbursement formula to distribute special education aid. School districts, cooperative educational service agencies, and county education boards are reimbursed for a percentage of approved salary, fringe benefits, and transportation costs. The reimbursement percentage is established in statute at 63 percent for special transportation, certified coordinators and directors of special education, special education teachers and teacher aides, and occupational and physical therapists. The reimbursement percentages for school psychologists and school social workers is 51 percent. If the appropriation reimbursing these costs is insufficient to cover the full amount of aid requested, the payments are prorated. The prorated reimbursement in 1990-91 was 59.3 percent of costs; for the 1991-92 school year, the prorated reimbursement of costs was 54.065 percent. The proration has decreased steadily since the inception of the 63 percent statutory provision in 1983.

Additional reimbursement provisions provide for 100 percent state funding for boarding home costs for non-resident special education students and for the cost of transporting these eligible students from their boarding home to their special education classroom. The state funding program also provides 100 percent of tuition costs for children attending such schools when these children live in children's homes or on certain categories of tax-exempt properties.

The portion of special education costs that are not reimbursed under this funding program and those costs that are not eligible for reimbursement under the program are eligible for inclusion in the state general aid equalization formula.

WYOMING

The State of Wyoming uses a percentage cost reimbursement formula to distribute special education funds to school districts. Reimbursement is provided for 85 percent of the expenditures incurred in providing special education programs, including

- Salaries and benefits of employees providing special education and related services
- Travel for the provision of direct services to children with disabilities

- Contracted services for the provision of special education and related services to a disabled child placed out-of-district and/or out-of-state

- Contractual services associated with assessment of children for the provision of special education and related services

- Other contracted services, including audiology, counseling, medical services, occupational therapy, parent counseling and training, physical therapy, psychological services, school health services, social work services in schools, pathology, and transportation that cannot be provided through a district's regular transportation program

- Contracts for technical assistance and program evaluation

Expenditures for instructional materials and equipment may be reimbursed up to $1,000 for each newly established professional staff position and up to $700 annually for each staff position operated longer than one year. A school district may be reimbursed up to $1,000 annually for the cost of repair and maintenance of instructional equipment.

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